Remuneration Policy

Executive Directors' Remuneration Policy

This section of the Directors' Remuneration Report sets out the proposed Directors' Remuneration Policy of the Company, to be approved at the 2023 AGM. If approved by shareholders, this Policy will come into force after the 2023 AGM, for a period of up to three years. Changes to the Policy approved at the AGM in 2020 (and subsequent variations) are summarised in the Committee Chair's statement. The 2023 Policy was determined by the Committee after reviewing the impact of the 2020 Policy, key governance factors, market practice, and after taking account of shareholder feedback arising out of the consultation undertaken in June 2023. The Committee further reviewed the Policy against the six themes set out in provision 40 of the UK Corporate Governance Code as described on page 128.

The Committee has the discretion to amend the Policy with regard to minor or administrative matters where it would, in the opinion of the Committee, be inappropriate to seek or await shareholder approval. To ensure conflicts of interest are managed, the Committee ensures no Director determines the Policy regarding their own remuneration.

Executive Directors' policy table

Base salary	
Purpose and relevance to strategy	To provide a competitive remuneration package to motivate and retain Executive Directors of the required calibre to help the Group meet its objectives to deliver the Group's strategy.
Operation	Salaries are normally reviewed and set annually – from FY2024, they will be reviewed in November/December and effective from 1 January. Base salary is set in the context of pay for similar roles in companies of similar size and complexity.
Maximum	Base salary increases will normally be capped at the level of salary increases for the broader workforce in the Executive Director's home market, unless the Committee in its absolute discretion determines that circumstances warrant a higher increase. Example circumstances include: to reflect a significant change in a director's role or responsibilities, or if (in shareholders' interests) a director was intentionally appointed on a salary that is below what the Committee considers to be the appropriate level of market salary and their subsequent performance in the role warrants a higher salary increase. The rationale for any such higher increase will be disclosed in the relevant annual remuneration report.
Performance measures	Continued good performance.

Benefits	
Purpose and relevance to strategy	To provide market-competitive benefits that motivate and retain Executive Directors and enable them to give maximum attention to their role.
Operation	Benefits provided on an ongoing basis include: – a car or car allowance; – private medical insurance; – life assurance; and – long-term disability cover. If, on the appointment of a new Executive Director, relocation is required to the director's place of work, reasonable and proportionate relocation support may be provided. Additional benefits may be provided in the future taking into account individual circumstances. If the Company establishes an 'all employee' share plan, any non-founder Executive Director may participate on the same basis as any other qualifying employee.
Maximum	The maximum level of benefits will be set at a level that the Committee considers appropriate, taking into account the nature and location of the role and the individual circumstances of the Executive Director. Excluding accommodation and relocation costs, benefits are not expected to exceed £50,000 per annum.
Performance measures	Not applicable.

Annual incentive opportunity (comprising cash bonus and deferred equity awards)	
Purpose and relevance to strategy	To incentivise and reward execution of the Group's objectives, reward outperformance and encourage Executive Director share ownership.
Operation	Targets are normally reviewed annually and any payout is determined by the Committee after the year end. For the non-founder Executive Directors, for any financial year where the opportunity is 150% of salary, 50% of any earned payout will be deferred into shares for three years. For any financial year where the opportunity is more than 150% of salary, up to two-thirds of any earned amount will be deferred into shares for three years. Dividends may accrue on deferred shares over the deferral period and, if so, will be paid as additional shares on vesting. The number of additional shares may be calculated assuming reinvestment into shares on such basis as the Committee determines. If an opportunity of more than 150% of salary is awarded, an underpin will apply via enhanced underpin/malus provisions, as set out below. The Committee sets Group performance targets. In the case of financial measures, for achieving an appropriately stretching level of threshold performance, up to 20% of the maximum opportunity is earned, increasing typically on a straight line basis to a target at which 50% of the maximum opportunity would be earned, and to a cap at which the maximum opportunity could be earned. The targets for payouts above 100% of salary to maximum will incentivise and reward even greater outperformance of expectations for any year. For strategic measures, payouts are determined by the Committee between 0% and 100% based on the Committee's assessment of the extent to which the relevant metric or objective has been met. Sir David McMurtry participates in the annual bonus plan: his incentive opportunity is capped at a maximum of 100% of salary, to be paid in cash. In line with the Governance Code, the Committee retains discretion to amend payouts should any formulaic output not reflect the Committee's assessment of overall business performance or if the Committee considers the formulaic outturn is not appropriate in the context of circumstances that were unexpected or unforeseen, or is inappropriate for any other reason. Part or all of any annual incentive payment (whether paid in cash or deferred into shares) may be subject to repayment in the event of any: – material financial misstatement; – error in calculation; – misconduct; – corporate failure; – material loss; and/or – reputational damage. If an opportunity of more than 150% of salary is awarded, half of any deferred amount will be subject to a further repayment provision, such that repayment may be required if an underpin is not met over the deferral period; the terms of any such underpin would be confirmed in the relevant Directors' Remuneration Report. These provisions may be applied to a deferred equity award at any time up to the third anniversary of its grant and to a cash bonus at any time up to the third anniversary of its payment.
Maximum	150% of salary for non-founder Executive Directors for the financial year ending 30 June 2024. Flexibility for up to 225% of salary for any non-founder Executive Directors for any other financial year. 100% of salary for Sir David McMurtry.
Performance measures	Based on Group performance, which will ordinarily include Adjusted PBT (one of the key measures of performance used by the Board) as the primary measure. The Committee may introduce other metrics (financial and strategic) to reflect the Group's priorities, or make adjustments to or substitute performance measures applying to existing annual incentive opportunities to appropriately reflect underlying performance, provided that the bonus will always be subject to achievement of the threshold financial performance. Targets will be set around the Group's internal strategic plan. Any strategic metrics shall not form more than 25% of the overall bonus opportunity.

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Executive Directors' policy table continued

Pension	
Purpose and relevance to strategy	To provide a pension contribution/allowance in line with the wider workforce of the home country of the Executive Director and to motivate and retain Executive Directors of the required quality to meet the Group's objectives.
Operation	Executive Directors receive pension contributions into the Company's defined contribution scheme, or all or part as an allowance paid in lieu. Will Lee is a deferred member of the Company's defined benefit scheme, which closed for future accruals on 5 April 2007. Sir David McMurtry receives no pension contribution or allowance in lieu.
Maximum	The maximum contribution to the defined contribution scheme, or, where applicable, additional salary payment in lieu of contributions, is: – until 1 January 2025 at the latest, 11% of base salary for Executive Directors who joined Renishaw prior to 2007, in alignment with other long-serving employees; – with effect from 1 January 2025 at the latest, for Executive Directors who joined Renishaw prior to 2007 a level not exceeding that available to the majority of the wider workforce (currently 9% of base salary); and – for Executive Directors who joined Renishaw after 2007 a level not exceeding that available to the majority of the wider workforce (currently 9% of base salary). The Committee retains discretion to determine the approach and calculation of the wider workforce pension level, including, if relevant, the methodology for international directors.
Performance measures	Not applicable.

Minimum shareholding guideline	
Purpose and relevance to strategy	Supports the alignment of Executive Director and shareholder interests.
Operation	Each Executive Director is expected to build up and maintain a level of share ownership of at least 200% of base salary. Until the minimum shareholding guideline is met, net vested share awards (after sales to meet tax liabilities) must be retained. In the case of awards granted after 30 September 2023, all of the net vested awards must be retained. In the case of awards granted on or before 30 September 2023, 50% of the net vested awards must be retained. Executive Directors' shareholdings are reviewed annually by the Committee to ensure progress is being made towards achievement of the guideline level of shareholding. The Committee retains the discretion to modify the application of this guideline in exceptional compassionate circumstances. Shares that are subject to deferred annual equity awards can count towards the shareholding guideline on a net of assumed tax basis.
Maximum	Not applicable.
Performance measures	Not applicable.

Post-employment shareholding policy	
Purpose and relevance to strategy	Supports the principle of long-term share ownership that is promoted by the 2018 UK Corporate Governance Code.
Operation	Executive Directors (excluding Sir David McMurtry) will be required to maintain a personal shareholding in Renishaw at a level of at least the lower of their actual shareholding and the level of their minimum shareholding guideline for one year after they step down from the Board, and 50% of that level for a further year. The post-employment shareholding policy applies to shares acquired pursuant to deferred annual equity awards granted after 30 September 2020. The Committee retains the discretion to modify the post-employment shareholding requirement in exceptional circumstances; for example, on a change of control or if a conflict of interest arises with an Executive Director's next appointment; or in compassionate circumstances.
Maximum	Not applicable.
Performance measures	Not applicable.

Operation of share plans

All discretions under any share plan established by the Company will be available to the Committee under this Policy, except where explicitly limited by this Policy. Share plan awards may be settled, in whole or in part, in cash, although the Committee would only settle an Executive Director's award in cash in appropriate circumstances, such as where there is a regulatory restriction on the delivery of shares or in respect of the tax liability arising in connection with an award.

Policy for the remuneration of employees more generally

The Group aims to provide a remuneration package that is competitive in an employee's country of employment, which is appropriate to promote the long-term success of the Group. The Company intends to apply this Policy fairly and consistently ensuring that it can compete successfully in the marketplace and sufficiently retain and motivate employees. In respect of the Executive Directors, a greater proportion of the remuneration package is 'at risk' and determined by reference to performance conditions.

Approach to recruitment remuneration

When agreeing the remuneration package for a new Executive Director, the Committee will ordinarily apply the Policy for the existing Executive Directors to ensure a consistent approach. The Committee retains discretion to award other elements of pay that it considers are appropriate. However, this discretion is capped and is subject to the limits referred to below. Circumstances in which these other elements may be awarded include:

- an interim appointment being made to fill an Executive Director role on a short-term basis;
- if exceptional circumstances require that the Chair or a Non-executive Director takes on an executive function on a short term basis; and
- if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus for that year as there would not be sufficient time to assess performance. Subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis.

The Committee may also alter the performance criteria and deferral period applicable to the annual incentive opportunity if the Committee considers that the circumstances of the recruitment merit such alteration. Any use of this discretion would be accompanied by a full rationale in the relevant annual remuneration report.

The Committee will not offer non-performance related incentive payments (for example a 'guaranteed sign-on bonus').

Salary, pension and benefits

For an external hire, base salary will be set in line with the factors set out in the Policy table, taking into account the individual's experience and the amount required to attract the individual to join the Company. Pension and benefits will be provided in line with the Policy table.

Where a new Executive Director is required to relocate from their home location to take up their role, the Committee may provide reasonable relocation assistance and other appropriate allowances if business needs require it.

Variable remuneration

Variable remuneration will ordinarily be provided in accordance with the Policy table and up to the maximum permitted by the Policy table. Any award in respect of forfeited remuneration as described below is excluded from the maximum permitted variable remuneration. In exceptional circumstances, a long-term incentive may be offered as described on the following page.

Forfeited remuneration

The Committee may make payments or awards to buy-out remuneration forfeited by new hires in connection with leaving a previous employer. Any such buyout awards would ordinarily have a fair value no higher than that of the awards being replaced, and would be structured as far as possible to replicate the remuneration being forfeited, in terms of any vesting horizons or performance linkage.

Existing obligations

When an internal appointment is made, any pre-existing obligations will be honoured and payment will be permitted under the Policy.

Remuneration Policy continued

Committee discretion in exceptional circumstances

The Committee retains discretion in exceptional circumstances to offer a long-term incentive to support Renishaw in securing the best Executive Director candidate, if the Committee considers it to be in shareholders' best interests to do so. The annual quantum of any long-term incentive award grant would be set so that the aggregate variable remuneration for the Executive Directors in any year did not exceed 350% of salary. Any use of this discretion would be accompanied by a full rationale in the relevant annual remuneration report.

Service contracts and policy on payment for loss of office

The Executive Directors' service contracts are for an indefinite period and require 12 months' notice of termination by either party. There are no obligations in any Executive Director's service contract, or Non-executive Director's letter of appointment, which would require the Company to pay a specific amount of compensation for loss of office.

The Executive Directors' service contracts reflect the Company's policy regarding notice periods. No payment will be made for a termination by the Company for a breach by the Executive Director of their service contract. In other cases, payment in lieu of notice will be considered up to the 12 months' notice period to cover base salary, benefits and pension contributions. If additional compensation is required to be considered, such as on a settlement agreement, the Committee will consider all relevant commercial factors affecting the specific case. Directors' service contracts are available for inspection at the Company's registered office upon written request to the Company Secretary. A table containing the dates of the current service contracts for each of the Executive Directors is set out on page 135.

A summary of the key elements of the Policy for loss of office is set out below.

Provision	Policy
Notice period	12 months' notice by either party. No obligation to pay a specific amount in compensation for loss of office.
Pension	Pension will continue to apply until the termination date; payment in lieu of notice will be considered up to a period of 12 months.
Treatment of annual incentive plan awards	No annual incentive is payable for the financial year, unless the Committee determines otherwise in certain 'good leaver' circumstances. These include ill health, death, disability, retirement in agreement with the Committee, redundancy, or any other reason as the Committee in its absolute discretion may determine. For 'good leavers', any payment would normally be pro-rated for time and reflect the Company's performance against the targets set at the start of the year. It would also take into account the circumstances of the individual's loss of office. The Committee retains discretion to pay any bonus earned for the year of cessation wholly in cash, but would do so only in circumstances it considers compassionate, such as in the event of death or ill-health. Unvested deferred equity awards normally lapse, unless the Committee determines otherwise for a 'good leaver'. In such cases, unvested awards would normally be pro-rated to reflect the portion of the deferral period that has elapsed on cessation of employment, and vest on the normal vesting date (except in the event of death, when vesting would be brought forward). Unvested awards normally vest early on a change of control of the Company or other relevant event in accordance with the rules of the plan.
Benefits	Benefits will continue to apply until the termination date; payment in lieu of notice will be considered up to a period of 12 months. If the Company establishes an 'all employee' share plan, the treatment of any awards under it on cessation of employment and on a change of control of the Company or other relevant event would be determined in accordance with the rules of the plan. In appropriate circumstances, the Committee may continue the provision of certain benefits (for example, private medical insurance) for a period following cessation.
Other payments	In appropriate circumstances, payments may also be made to a departing Director in respect of accrued holiday pay, and outplacement and legal fees.

Statement of consideration of employment conditions elsewhere in the Group

The Committee takes into account the pay and employment conditions of the Group in the country in which the Executive Director resides, and is satisfied that the approach taken is fair and reasonable based on market conditions and practice, and the best interests of shareholders. When considering the annual salary review, the average base salary increase awarded to employees provides a guide when determining the salaries of the Executive Directors (located in the same country). The approach of the Committee to engagement with employees in relation to executive remuneration is described in the Committee Chair's statement on page 116.

Statement of consideration of shareholder views

The Committee has taken into account feedback provided by external shareholders when drawing up the revised Remuneration Policy for 2023. The 20 largest external shareholders, as well as the main proxy voting agencies, were consulted in June 2023 regarding the proposed changes. The Committee is grateful for the feedback received as part of this process, which included both written responses and conversations with the Chair of the Remuneration Committee. The feedback indicated broad support for the initial proposals. While no substantive changes were made to the Policy as a result of the feedback, the questions raised by shareholders and proxy voting agencies helped to clarify certain points and shape the Committee's understanding of investor preferences when finalising Policy proposals.

The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of executive remuneration remains appropriate.

Illustrations of application of Remuneration Policy

The bar charts below for each Executive Director show remuneration for the financial year ending 30 June 2024 under different performance scenarios:

- firstly, the minimum remuneration payable in respect of salary, benefits and pension;
- secondly, the remuneration payable if performance is on target and in line with the Company's expectations; and
- thirdly, the remuneration payable if the maximum cash bonus and deferred annual equity incentive is payable.

Note that deferred equity incentive plan awards granted in a year will not normally vest until the third anniversary of the date of grant, and the projected value excludes the impact of share price movement. As the Executive Directors are not in receipt of a long-term incentive, the fourth scenario under the reporting regulations (requiring the impact on the value of long-term incentives of 50% share price growth over the performance period) is not shown; this is unchanged from the third scenario above.

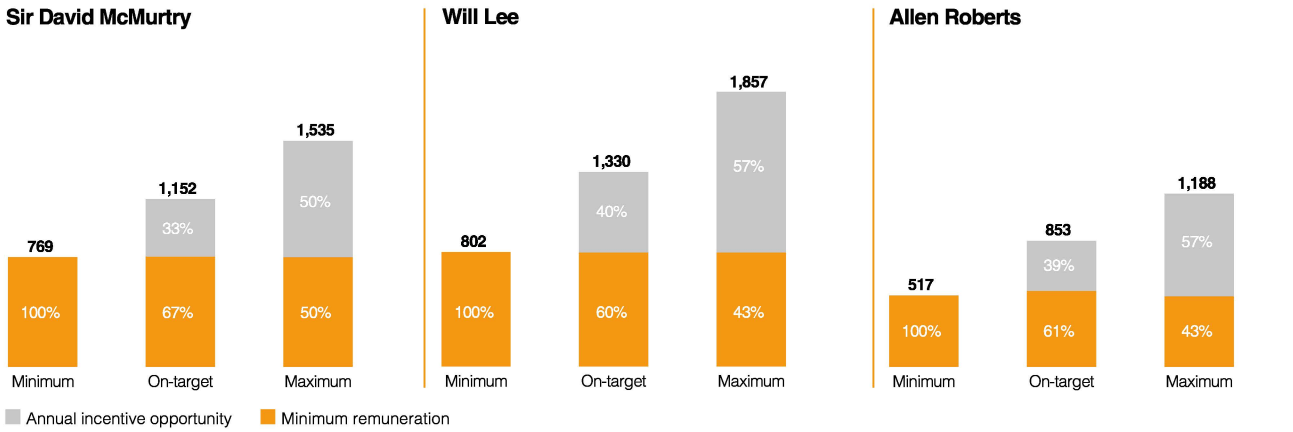
Legacy remuneration arrangements

The Committee reserves the right to make remuneration payments and payments for loss of office notwithstanding that they are not in line with the provisions set out above where the terms of payments were agreed:

- before the Policy came into effect (provided that, in the case of any payments agreed on or after 16 October 2014 they are in line with any applicable shareholder approved Directors' remuneration policy in force at the time they were agreed or were otherwise approved by shareholders); or
- at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes, 'payments' includes the satisfaction of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' no later than the time the award is granted.

Illustrations of application of Remuneration Policy (£'000)



Remuneration Policy continued

Non-executive Directors' policy table

The fees for any Non-executive Chair would be determined by the Committee and the fees for other Non-executive Directors are determined by the Chair and the Executive Directors. Set out below is a table summarising the approach to fees for the Non-executive Directors.

The Non-executive Directors are appointed for an initial three-year period subject to annual performance review and re-elections at AGMs, unless terminated earlier by either party on one month's written notice. Appointments will not normally continue beyond nine years in office, although there may be exceptions where a certain skillset is difficult to replace and/or in order to allow Renishaw to conduct a comprehensive recruitment exercise. In the event of the appointment of a Non-executive Chair, a longer notice period may be agreed of up to six months.

Board fees	
Operation	– Fees are set taking into account the responsibilities of the role, the expected time commitment and prevailing market rates. – The Non-executive Directors are currently all paid a single all-inclusive fee. A basic fee with additional fees paid for the chairing of Committees and assuming the role of Senior Independent Director may be introduced in the future. Additional fees may also be paid for other Board responsibilities, roles or time commitments, if this is considered appropriate. – Fees are reviewed at appropriate intervals, usually on an annual basis, with reference to fees payable to non-executive directors of companies of a similar size and complexity. – Non-executive Directors do not receive incentive pay or share awards and do not currently receive any benefits or pension arrangements. – Travel and other reasonable expenses (including fees incurred in obtaining professional advice in the furtherance of their duties) incurred in the course of performing their duties are reimbursed to Non-executive Directors (including any associated tax liability). – Performance measures are not applicable. – Maximum: basic fees are subject to the aggregate limit set in accordance with the Company's Articles of Association, as amended by shareholder approval from time to time.
Link to strategy	To provide a competitive fee to attract and retain Non-executive Directors of the required calibre to meet the Group's objectives.